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MATTHIAS W. BALDWIN, FOUNDER
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ANNUAL REPORT
1942

THE
BALDWIN LOCOMOTIVE WORKS

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THIRTY-SECOND ANNUAL REPORT

THE
BALDWIN LOCOMOTIVE WORKS

PHILADELPHIA, PA.



LOCOMOTIVE AND ORDNANCE DIVISION

STANDARD STEEL WORKS DIVISION

BALDWIN SOUTHWARK DIVISION

CRAMP BRASS AND IRON FOUNDRIES DIVISION

BALDWIN DE LA VERGNE SALES CORPORATION

THE PELTON WATER WHEEL COMPANY

THE WHITCOMB LOCOMOTIVE COMPANY

December 31, 1942

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the Commonwealth of Pennsylvania

VOTING TRUSTEES

PHILIP C. STAPLES, Chairman

ARNOLD BERNHARD
ROBERT K. CASSATT

WM. FULTON KURTZ
JOHN B. THAYER

DIRECTORS

ARNOLD BERNHARD
CHARLES E. BRINLEY
JOHN W. CONVERSE
JOSEPH N. EWING
HARRY L. FREVERT
WILLIAM H. HARMAN
EDWARD HOPKINSON, JR.
RALPH KELLY
CONRAD N. LAUER
JEROME PRESTON
ROBERT C. SHIELDS
JAMES M. SKINNER
CHARLES L. STILLMAN

New York, N. Y.
Chestnut Hill, Pa.
Rosemont, Pa.
Valley Forge, Pa.
Philadelphia, Pa.
Merion, Pa.
Chestnut Hill, Pa.
Philadelphia, Pa.
Penlynn, Pa.
Boston, Mass.
Detroit, Mich.
Philadelphia, Pa.
New York, N. Y.

EXECUTIVE COMMITTEE

EDWARD HOPKINSON, JR., Chairman

ARNOLD BERNHARD
CHARLES E. BRINLEY
JOSEPH N. EWING

HARRY L. FREVERT
CONRAD N. LAUER
ROBERT C. SHIELDS

OFFICERS

CHARLES E. BRINLEY
RALPH KELLY
WILLIAM H. HARMAN
J. TYSON STOKES
CHARLES E. ACKER
CARLOS F. NOYES

President
Executive Vice-President
Vice-President in Charge of Sales
Vice-President—Legal Department
Secretary and Treasurer
Comptroller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

GENERAL OFFICES AND PLANT

AT
BALDWIN, EDDYSTONE, PENNSYLVANIA

TRANSFER AGENTS

Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

Preferred Stock, 7% Cumulative, \$30 Par Value
Warrants for the Purchase of \$13 Par Value Common Stock

IN PHILADELPHIA:

Drexel & Co., 15th and Walnut Streets

IN NEW YORK:

J. P. Morgan & Co. Incorporated, 23 Wall Street

REGISTRARS

Preferred Stock, 7% Cumulative, \$30 Par Value
Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

The Pennsylvania Company for Insurances on Lives and Granting Annuities
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York
140 Broadway

TO THE STOCKHOLDERS:

This report, unlike previous reports to the stockholders, does not include any of the operations of The Midvale Company other than to give effect to dividends received from that company. All figures having to do with your Company's condition (finance, production, personnel, and sales for the year 1942 alone, or in comparison with prior years) are for The Baldwin Locomotive Works and its wholly owned subsidiaries only, and exclusive of The Midvale Company. The Annual Report of The Midvale Company, of which The Baldwin Locomotive Works is the owner of 61.45% of the Capital Stock, published separately, accompanies this report.

During the year 1942 the resources of your Company and the abilities of its directors and staff have been devoted primarily, wholeheartedly, and to the utmost of their capacity to the fulfillment of the needs of our Country and its Allies in the war against the Axis Powers. The results of this endeavor were evidenced by heavy increases in production, almost all of which have provided a direct or indirect contribution to the equipment of the armed forces of the Allied Nations. In each of four major divisions of your Company production figures reached an all time high and the other two divisions were not far behind.

In the report of a year ago, it was pointed out that in all divisions and subsidiaries, except in the Locomotive and Ordnance Division, the new work undertaken was generally of a character such as to require but an expansion in the same field with which these divisions and subsidiaries were already familiar, a fact which was of material value in bringing about the increase in production which was attained. The same may be said of the operations of the Company during the year 1942, though, as the year advanced, our skill and ability increased with experience, so that, in the Locomotive and Ordnance Division also, articles of ordnance, pre-

viously new and difficult to manufacture, were later produced with facility and rapidity.

The range and diversity of Baldwin products, which are large even in times of peace, have been greatly expanded. Among the articles constructed and being constructed, specifically and directly for war purposes, are military tanks of a variety of sizes and patterns, barbettes for large coast defense guns, mounts for anti-aircraft guns, finished gun tubes, forgings for small gun tubes, steering mechanisms for several types of Navy vessels, and many bronze propellers for ships of the Navy and Maritime Commission. As a constructor of machinery for use by other plants engaged in war work, Baldwin is supplying plate planers and heavy bending rolls for the shipyards, shell forging installations, hydraulic presses of almost any size or pattern, centrifugal pumps, hydraulic turbines, many types of materials testing machines, and other similar kinds of equipment. Baldwin is an accepted leader in the field of machines for testing materials, a line of development which is increasingly reaching into many classes of industry, including important applications for wind tunnels and other operations in airplane construction. Finally, acting as a subcontractor, your Company is furnishing many castings, machined and unmachined, from its iron, brass and steel foundries, together with a heavy tonnage of steel forgings from its Standard Steel Works Division at Burnham, Penna.

During 1942, the production of steam and diesel locomotives was materially increased both at the Eddystone Plant and at the Company's wholly owned subsidiary, The Whitcomb Locomotive Company, in Rochelle, Illinois. In the twelve month period orders were received and released for manufacture by the War Production Board for 485 steam locomotives, and 277 were completed and shipped. While a considerable number of these steam locomotives were manufactured for the armed services, a substantial part of the total was for the domestic railroads, which purchased steam locomotives in greater quantity than at any time since 1936. Orders taken for diesel electric locomotives of the railway switching type released for manufacture by the War Produc-

tion Board amounted to 242, and shipments to 189. Some quantity of diesel engines for marine and power service have also been constructed with unfilled orders still on the Company's books for this product sufficient to occupy the diesel engine department for the greater part of 1943.

The volume of total billings during the year 1942 amounted to \$167,259,141, compared with \$68,643,191 in 1941. Some increase has also occurred in the number of Baldwin employees. On January 1, 1942, there were employed in the Baldwin group 14,285 persons, and on December 31st of the same year, 17,459 persons. The total compensation of all employees was \$47,222,380; purchases of material and supplies amounted to \$97,248,853; and provision for taxes amounted to \$16,164,329, including Social Security Taxes, \$1,744,476, Federal Income and Excess Profits Taxes, \$13,456,780, and Pennsylvania State Income Tax, \$226,000. Provision for Federal Income and Excess Profits Taxes, together with provision for Pennsylvania State Income Tax, is equal to \$13.30 per share of the Company's Common Stock, and provision for all taxes is equal to \$15.72 per share.

Important improvements were made in the physical property of your Company at the main plant at Eddystone; at the Standard Steel Works Division; and at the plants of the two wholly owned subsidiaries, The Whitcomb Locomotive Company and The Pelton Water Wheel Company. These improvements included the purchase of a number of much needed machine tools and some small building extensions. The value of these improvements, charged to Property, Plant and Equipment, amounted to \$2,077,000, and exceeded the year's charge to Depreciation Account by about 47%. In respect to such improvements, certificates of necessity have been requested, whenever justified in the opinion of the management, in order to provide for amortization of these improvements over a five year period, or over such shorter period as may be the extent of the emergency. Ordinary and current maintenance, chargeable to Expense Account, has been carried on as usual and to a degree deemed adequate to keep the several plants in good working order.

In consultation with the proper Government authorities, the management of your Company has studied and made effective what appear to be the reasonable measures for the protection of the plant against common and unusual hazards. War Damage Insurance, as provided by the Government of the United States, has been taken in what is believed to be a sufficient amount for your Company's protection.

The normal social services offered by the Company to its employees, such as Dispensary, Dental Clinic, Cafeteria, Group Life Insurance, Works Magazine, and the like, have been well maintained and we believe are valuable and much appreciated.

On December 28th, the Company paid a dividend on its outstanding Common Stock at the rate of \$1.00 per share; the first Common Stock dividend since 1930.

The regular 7% dividend at the rate of \$2.10 per share was paid on the Preferred Stock.

Under the terms of the Federal Income Tax Law affecting the Company's earnings for the year 1942, a provision was included which allowed of a reduction in Excess Profits Taxes in lieu of a post-war credit, to the extent of 40% of any reduction in the Company's debt existing on September 1, 1942, which might be made prior to January 1, 1943. Therefore, a reduction in debt to the extent of \$3,257,000 was effected through the purchase and retirement of \$2,257,000 principal amount of the Company's outstanding 6% Convertible Bonds, and by the payment of \$1,000,000 of bank loans. This action is expected to save payment in cash during 1943 of approximately \$1,300,000 for taxes.

Bank loans on January 1, 1942, were \$8,000,000 compared with \$5,000,000 at the end of the year. Net current assets were \$11,000,124 on January 1, 1942 compared with \$12,294,826 on December 31st, after payment in 1942 of dividends of \$1,191,000

on Preferred and Common Stock, reduction of funded debt by \$2,257,000 and expenditures for property, plant and equipment amounting to \$2,077,000. In this connection it is of interest to note that, beginning with the year 1940, during which the then outstanding balance of the Company's First Mortgage Bonds in the amount of \$2,295,000 was paid, a total reduction of \$4,552,000 has been made in your Company's funded debt as of December 31, 1942, while during the same period net working capital has increased approximately \$4,000,000.

For the better protection of your Company, particularly in the case of substantial cancellation of war contracts, a "Regulation V" loan affording a line of credit up to \$20,000,000 is being negotiated with a group of Philadelphia and New York banks under terms which are believed to be advantageous to your Company. The agreement embodying the terms of this loan will be for the period ending January 31, 1946. It is expected that all monies borrowed during this period will be from the credit provided by the "V" loan agreement and other ordinary commercial bank loans will be reduced to a nominal figure.

Mr. Ralph Kelly, formerly Vice-President in Charge of Sales at the Westinghouse Electric & Manufacturing Company, where he had also gained a large experience in the operation of the East Pittsburgh Plant of that company, was elected by your directors to fill the newly created office of Executive Vice-President. Mr. Kelly joined this Company in mid-March and has since then taken an active and efficient part in the management of Baldwin's affairs and particularly in respect to the operation of its various shops. Under his guidance, the production departments have been strengthened and rendered increasingly effective.

On account of the many increased complications appearing in the Company's business, and the greater need for immediate expert legal advice, your directors on August 1st elected J. Tyson Stokes, Esq., to the position of Vice-President—Legal Department. Mr. Stokes, formerly of the law firm of Morgan, Lewis & Bockius of

Philadelphia, serves on a full time basis with his office at the Company's plant at Eddystone.

Federal income tax returns have been audited by the Income Tax Unit of the Internal Revenue Department through the year 1941, and all Federal and Pennsylvania income taxes determined to be due as the result of this audit, for years prior to 1942 have been paid.

Under the provisions of Section 403 of the Sixth Supplemental National Defense Appropriations Act as amended, which covers the renegotiation of contracts for articles of war in order to determine "excessive" profits on such contracts, representatives of your Company met, prior to the close of 1942, with representatives of the Price Adjustment Board of the War Department and arrived at a settlement which was accepted by both parties. The contract of settlement, as drawn, was subsequently submitted to, and has been approved by the War Department, the Navy Department, the Maritime Commission, and the Treasury Department, which constitute all the Government departments involved. This settlement is reflected in the year's figures as presented to the stockholders in this report and attention is directed to balance sheet note 6 (page 14) with reference to this settlement.

It is with pleasure that we are able to inform the stockholders of the cooperation of the members of the executive staff, together with that of the men and women in the shops and offices, in a general, whole-hearted endeavor to support their country, now at war, not only by attention to their several duties, but by rising to emergencies as they have occurred, and by the purchase of United States War Savings Bonds and by other demonstrations of loyalty and patriotism. Labor-Management Committees have been organized and are meeting with regularity in an effort to consolidate and combine on a united front for the sake of a progressively increasing production. Since the beginning of the war until January 1, 1943, 2,770 persons had left the Company to join the armed forces of the United States.

The consolidated results of operation of Baldwin and its wholly owned subsidiaries for the years 1942 and 1941 are summarized as follows:

	1942	1941
Sales.....	\$167,259,141	\$68,643,191
Profit before provision for income and other taxes, depreciation, amortization of emergency facilities, and interest.....	23,636,521	8,373,562
Taxes on income and other taxes.....	16,164,329	3,071,117
Depreciation.....	1,406,678	1,394,957
Amortization of emergency facilities...	182,900	—
Interest.....	566,270	550,574
Net profit for the year.....	\$5,316,344	\$3,356,914
Deduct:		
Provision of reserve for contingencies.....	800,000	—
Balance transferred to surplus.....	\$4,516,344	\$3,356,914

After deducting preferred stock dividends in the amount of \$163,029, the remainder of the above shown balance of net profit, \$4,353,315, was equivalent to \$4.23 per share on the outstanding common stock.

Unfilled orders at the beginning of the year were \$161,942,347, and at the end of the year were \$451,572,668.

Inventories increased from \$21,971,364 on January 1st to \$28,612,172 at the end of the year. About 80% of the closing inventory is represented by work in process on customers' sales orders. During the last half of the year, inventories were checked by count or weight wherever possible, and in other cases by physical inspection and estimate. In the opinion of the Company's officers, inventories are conservatively valued through provision of reserves considered adequate for obsolescence or other deficiency.

The Midvale Company paid dividends during the year amounting to \$1,258,618, of which Baldwin received \$774,270.

There are submitted herewith:

Consolidated Balance Sheet of The Baldwin Locomotive Works
and Wholly Owned Subsidiaries, December 31, 1942.

Consolidated Statements of Profit and Loss, Surplus and General
Reserve for the Year 1942.

Report of Auditors.

A copy of the annual report of The Midvale Company for the
year 1942 is being mailed with this report for further informa-
tion as to the affairs of that company.

This report is submitted on behalf of the Board of Directors.

CHARLES E. BRINLEY,
President.

March 5, 1943.

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED BALANCE

ASSETS

Current Assets:

Cash on Deposit and on Hand.....	\$6,017,889.06	
Cash Advanced on Production Contracts in Process (deposited in special bank accounts. See contra)	5,903,289.84	
Sundry Securities (value at market quotations, December 31, 1942, \$64,958.13) (Note 1).....	61,323.39	
Notes and Other Credit Instruments and Accounts Receivable due in 1943 (less reserve, \$64,265.09)	15,366,265.43	
Inventories of Raw Materials, Supplies, Work in Process and Finished Products (less reserve, \$569,869.59) (Note 2).....	<u>28,612,171.88</u>	\$55,960,939.60

Notes and Other Credit Instruments and Accounts Re- ceivable not realizable within one year (including past due foreign items, \$1,148,766.13, and less re- serve, \$1,150,586.96).....		440,094.24
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Investments:

General Steel Castings Corporation Common Stock (at cost less reserve, \$5,002,949.00).....	\$1.00	
The Midvale Company Stock (at cost less capital distribution) (Note 3).....	926,879.38	
Other Investments.....	<u>135,002.00</u>	1,061,882.38

Property, Plant and Equipment.....	\$55,555,718.18	
Less Reserve for Depreciation and Amortization..	<u>24,021,597.94</u>	31,534,120.24

Deferred Charges.....		137,124.10
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\$89,134,160.56

See balance sheet notes on page 14, which are

AND WHOLLY OWNED SUBSIDIARIES

SHEET, DECEMBER 31, 1942

LIABILITIES

Current Liabilities:

Bank Loans.....	\$5,000,000.00	
Accounts Payable.....	18,282,754.99	
Advances Received on Production Contracts in Process (including \$5,903,289.84 deposited in special bank accounts per contra).....	9,066,473.33	
Accrued Liabilities.....	2,644,142.16	
Federal and Pennsylvania Taxes on Income (less U. S. Treasury Tax Notes, \$5,010,037.20).....	<u>8,672,742.80</u>	\$43,666,113.28

General Mortgage Bonds (Note 8):

4% Series due 1947, deposited as collateral for bank loans.....	\$6,000,000.00
Reserved to reimburse Company for payment of First Mortgage Bonds matured May 1, 1940...	<u>2,295,000.00</u>
	<u>\$8,295,000.00</u>

Refunding Mortgage Bonds, 6% Convertible Series due 1950 (Note 9).....		4,210,400.00
Operating Reserves and Deferred Credits.....	\$358,803.97	
General Reserve.....	<u>267,774.83</u>	626,578.80
Reserve for Contingencies.....		800,000.00

Capital Stock and Surplus:

Preferred Stock, 7% Cumulative, \$30 Par (liquidating and call value \$40 per share) (Note 9):	
Authorized 125,251.2 Shares	
Issued 77,633 Shares.....	\$2,328,990.00

Common Stock, \$13 Par (Note 9):

Authorized 3,000,000 Shares	
Issued 1,028,766 Shares.....	13,373,958.00
(Reserved for conversion of Refunding Mortgage Bonds, 6% Convertible Series due 1950, 273,650 shares, and for exercise of Warrants, 620,363 shares)	

	<u>\$15,702,948.00</u>
Less Treasury Common Stock (254 shares)...	<u>3,302.00</u>
	<u>\$15,699,646.00</u>

Surplus, as per annexed statement, page 16:

Capital Surplus.....	\$16,512,538.82	
Earned Surplus.....	<u>7,618,883.66</u>	<u>24,131,422.48</u>
		<u>\$39,831,068.48</u>
		<u>\$89,134,160.56</u>

an integral part of this balance sheet.

BALANCE SHEET NOTES

(1) Sundry Securities include \$60,000 par value of U. S. Treasury 2½% bonds and notes at cost of \$61,184.39, deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania of compensation on account of accidents.

(2) Inventories of raw materials and bulk supplies are priced at the lower of average cost or replacement market. Miscellaneous materials and parts and sundry supplies (upon a first-in, first-out basis) and work in process and finished products (upon the basis of specific items) were priced at cost or less, over 80% being covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency.

(3) The investment in capital stock of The Midvale Company consists of 368,700 shares representing 61.45% of the 600,000 shares outstanding. The market price for this stock was \$25.75 per share on December 31, 1942, equivalent at said per share price, to \$9,494,025 for the shares owned by The Baldwin Locomotive Works.

Baldwin's 61.45% equity in the total capital stock and surplus shown on the balance sheet of The Midvale Company amounted to \$11,172,293.97 as of December 31, 1942, and its equity in Midvale earnings for the year 1942 was \$2,298,455.31, both of these amounts being before renegotiation of Midvale war contracts under the provisions of the Sixth Supplemental National Defense Appropriations Act as amended by the Federal Revenue Act of 1942. Dividends received by Baldwin from The Midvale Company during 1942, amounting to \$774,270, have been credited to profit and loss.

(4) There were contingent liabilities on December 31, 1942 amounting to \$281,496.65 with respect to notes receivable discounted.

(5) The post-war refund credit against Federal excess profits tax, shown on the consolidated statement of profit and loss in the estimated amount of \$1,327,520, is substantially covered by allowable credit against taxes payable, equivalent to 40% of debt reduction during the last four months of 1942.

(6) Effect has been given in the accounts to the agreement of November 12, 1942 with the United States Government, covering renegotiation of war contracts of The Baldwin Locomotive Works and its wholly owned subsidiaries, for the year 1942, under the provisions of the Sixth Supplemental National Defense Appropriations Act as amended by the Federal Revenue Act of 1942. Inasmuch as the said agreement was necessarily based upon estimated profits for the full year and as such profits were then estimated at an amount somewhat lower than the profits as finally determined, the settlement made thereunder is subject to reconsideration at the discretion of the Under Secretary of War if, in his opinion, the profits as finally determined "prove to be materially at variance" with the estimated profits on which the settlement under said agreement was based.

(7) Incentive compensation in the amount of \$420,000 for officers and other key employees, 363 in all, has been provided for in the accounts for the year.

(8) General Mortgage Bonds, 4% Series due 1947, in the principal amount of \$6,000,000 have been deposited by the Company as security for bank loans. None has been otherwise issued. Additional General Mortgage Bonds in the principal amount of \$2,295,000, originally reserved for use by the Company to reimburse it for payments made in retirement of the Company's First Mortgage 5% Bonds which matured May 1, 1940, have not yet been issued or used for said purpose.

(9) The amounts of issued preferred and common stock shown on the balance sheet, include the following shares issuable but not yet issued:

91 shares of Preferred Stock, 7% Cumulative, \$30 Par Value, held for payment of interest coupons matured on or before September 1, 1940, on Refunding Mortgage Bonds or for exchange for interest coupons on previously outstanding Consolidated Mortgage Bonds;

1,563 shares of Common Stock, \$13 Par Value, held for exchange for 521 shares of previously outstanding preferred stock; and

3,591 shares of Common Stock, \$13 Par Value, held for exchange for 35,910 shares of previously outstanding common stock.

Refunding Mortgage Bonds, 6% Convertible Series due March 1, 1950 (interest payable March 1st and September 1st) are convertible into Common Stock, \$13 Par Value, at the rate of 65 shares for each \$1,000 bond, to and including September 1, 1945, and thereafter at the rate of 55 shares for each \$1,000 bond. These Bonds are, however, redeemable as a whole, but not in part, at the option of the Company at any time until maturity upon not less than 60 days' notice at 105% of the principal amount thereof with accrued interest to date of redemption.

Outstanding Warrants for the purchase of Common Stock, \$13 Par Value, at \$15 per share, expire September 1, 1945.

THE BALDWIN LOCOMOTIVE WORKS AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1942

Sales.....		\$167,259,140.91
Less:		
Cost of Sales, including selling, administrative and general expense.....	\$146,749,351.11	
Provision for Depreciation.....	1,406,677.75	
Amortization of Emergency Facilities.....	182,900.13	
		<u>148,338,928.99</u>
Operating Profit.....		\$18,920,211.92
Interest and Discount Received.....	\$194,875.89	
Miscellaneous Income.....	74,747.12	
		<u>269,623.01</u>
		\$19,189,834.93
Deduct:		
Interest.....	\$566,270.38	
Premium and Expense on Refunding Mortgage Bonds Purchased and Cancelled.....	392,910.00	
Miscellaneous Expenses.....	42,450.74	
		<u>1,001,631.12</u>
		\$18,188,203.81
Dividends Received, including \$774,270 from The Midvale Company.		810,920.00
Profit before Taxes on Income.....		<u>\$18,999,123.81</u>
Provision for Federal and Pennsylvania Taxes on Income, including \$13,275,200 estimated for Fed- eral excess profits tax.....	\$15,010,300.00	
Less Excess Profits Tax Post-War Refund Credit...	1,327,520.00	
		<u>13,682,780.00</u>
Net Profit.....		\$5,316,343.81
Deduct Provision of Reserve for Contingencies.....		800,000.00
Balance Transferred to Surplus.....		<u>\$4,516,343.81</u>

See balance sheet Notes 3, 5, 6 and 7 which are an integral part of this statement of profit and loss.

THE BALDWIN LOCOMOTIVE WORKS AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1942

Capital Surplus:

Balance January 1, 1942.....	\$16,429,490.82	
Excess of payments received for common stock over par value.....	48.00	
Transfer from reserves for investments.....	83,000.00	
Balance December 31, 1942.....		\$16,512,538.82

Earned Surplus since 1938:

Balance January 1, 1942.....	\$4,294,057.15	
Balance of net profit for 1942 after deducting \$800,000 reserved for contingencies.....	4,516,343.81	
	\$8,810,400.96	

Less dividends paid:

On preferred stock.....	\$163,029.30	
On common stock.....	1,028,488.00	
	1,191,517.30	

Balance December 31, 1942.....	7,618,883.66
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Total Surplus December 31, 1942.....	\$24,131,422.48
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CONSOLIDATED STATEMENT OF GENERAL RESERVE FOR THE YEAR ENDED DECEMBER 31, 1942

Balance January 1, 1942.....	\$261,244.53
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Increase by:

Transfer from other reserves.....	235,000.00	
	\$496,244.53	

Decrease by:

Payment of additional taxes for years prior to 1942 net of excessive accruals at December 31, 1941 for other current liabilities.....	228,469.70	

Balance December 31, 1942.....	\$267,774.83
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TO THE STOCKHOLDERS,
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its wholly owned subsidiaries as at December 31, 1942, and the consolidated statements of profit and loss, surplus and general reserve for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government departments and agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss, surplus and general reserve present fairly the consolidated position of The Baldwin Locomotive Works and its wholly owned subsidiaries at December 31, 1942, and the consolidated results of their operations for the year 1942, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.

February 25, 1943.

THE BALDWIN LOCOMOTIVE WORKS

SELLING ORGANIZATION

WILLIAM H. HARMAN - VICE-PRESIDENT IN CHARGE OF SALES

DISTRICT SALES MANAGERS

CHICAGO, ILL.	CHARLES RIDDELL	627 Railway Exchange
NEW YORK, N. Y.	JOSEPH F. HOERNER	120 Broadway
ST. LOUIS, MO.	A. B. MCCOY	1010 Pine Street
SAN FRANCISCO, CAL.	LATHAM McMULLIN	2910 Russ Building

WASHINGTON REPRESENTATIVE AND ASSISTANT TO THE VICE-PRESIDENT IN CHARGE OF SALES

CHARLES A. CAMPBELL
1036 Investment Building, 15th and K Streets, N. W.
WASHINGTON, D. C.

CLYDE G. PINNEY - FOREIGN SALES MANAGER EDDYSTONE, PENNSYLVANIA

FOREIGN AGENTS

ARGENTINA AND PARAGUAY...	PASEO COLON 285, BUENOS AIRES, ARGENTINA.....	Fiore-Co.
AUSTRALIA.....	31 REIBY PLACE, SYDNEY, NEW SOUTH WALES..	R. Towns & Co. Pty. Ltd.
	470 FLINDERS STREET, MELBOURNE, C. I., VICTORIA....	Newell & Co. Pty. Ltd.
BRAZIL.....	EDIFICIO METROPOLE, AVENIDA PRESIDENTE WILSON, 165-3° ANDAR, RIO DE JANEIRO, BRAZIL....	Norton Megaw & Co., Ltd.
CHILE AND BOLIVIA.....	CASILLA 86-D, SANTIAGO, CHILE.	Wessel, Duval & Cia., S. A. C.
CHINA.....	MEIFENG BANK BUILDING, CHUNGKING.....	Andersen, Meyer & Co., Ltd.

FOREIGN REPRESENTATIVES AND AGENTS—(Continued)

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STEWART MCNAUGHTON - SALES MANAGER, STEAM LOCOMOTIVES
JOSEPH G. BROZ - SALES MANAGER, DIESEL LOCOMOTIVES
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STEAM BOILERS
WELDED TANKS AND PLATE FABRICATION
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DIESEL ENGINES

FOR MARINE AND OTHER USES

Illustrations of Company products are omitted in this issue in cooperation with the United States Government's conservation program.



The illustration on the back cover is taken from the December, 1942, issue of the Company's magazine, "BALDWIN LOCOMOTIVES", and illustrates the latest and most efficient stream-lined steam locomotive built by Baldwin in 1942 for the Pennsylvania Railroad.



